

Message Text

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PM:DKEENE
DOD:CAPT. WILSON
S/S-O: SGOLDSMITH
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C O N F I D E N T I A L STATE 076877

EXDIS

E.O. 11652: GDS

TAGS: MASS, EG, SA, TC, US, KU

SUBJECT: FUNDING OF C-130'S FOR EGYPT

REF: A) STATE 68709; B) CAIRO 8784 (NOTAL); C) CAIRO 9127

1. DISCUSSION IN PARA 2 OF REFTEL C COINCIDES WITH DEPARTMENT'S UNDERSTANDING OF HOW PAYMENT WAS HANDLED FOR SIX C-130'S SOLD IN 1976. FINANCIAL ARRANGEMENTS DISCUSSED IN PARA 3 OF REFTEL A REFER TO 14 C-130'S PROPOSED FOR SALE TO EGYPT IN 1977.

2. IT IS DEPARTMENT'S UNDERSTANDING THAT SAG WAS SOURCE OF \$11.6 MILLION DOWNPAYMENT FOR PRESENT C-130 PROGRAM.
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BASED ON STATEMENTS BY SADAT AND OTHERS TO EFFECT THAT SAG WOULD FINANCE GOE DEFENSE NEEDS FOR SOME TIME, AS WELL AS INFORMATION SUCH AS THAT CONTAINED IN SECDEF MESSAGE 152157Z DECEMBER 77, DEPARTMENT ASSUMED THAT THERE HAD BEEN AGREEMENT--AT LEAST IN PRINCIPLE--ON SAG FINANCING. HOWEVER, BASED ON REFTEL C, IT NOW APPEARS THAT GOE IS FACED WITH PROSPECT OF NEGOTIATING WITH SAG FOR FINANCING OF

EACH PHASE OF C-130 PROGRAM.

4. NEEDLESS TO SAY, THIS WILL COMPLICATE PLANNING FOR GOE. HOWEVER, SINCE RELATIONSHIP BETWEEN PAYMENT AND DELIVERY CLEARLY HAS BEEN ESTABLISHED, EGYPTIANS SHOULD BE ALERT TO NEED FOR WORKING OUT FINANCING SUFFICIENTLY IN ADVANCE SO AS NOT TO DELAY PROGRAM. IN ANY CASE, WE DO NOT PROPOSE THAT ARRANGEMENTS SUGGESTED FOR HANDLING OF F-5 PURCHASE (REFTEL A) RETROACTIVELY BE APPLICABLE TO C-130 PROGRAM. VANCE

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